

## HOUSING NOW

Canada



## Canada Mortgage and Housing Corporation

Date Released: April 2008

## Canadian Market Overview

## New Home Market

*Housing starts brisk in March*

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 243,000 units in March, slightly down from 243,800 units in February.

The high level of starts posted

in February continued in March, thanks to the multiple segment and particularly condominium starts, which registered a significant rise in Alberta. Nevertheless, the single-detached component, which is usually a strong trend indicator, decreased slightly. This is

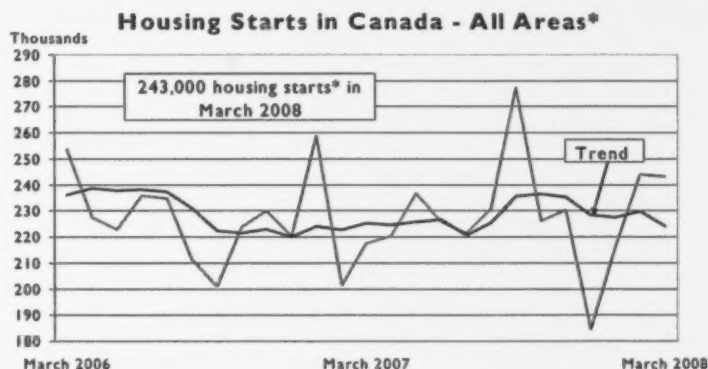
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Figure 1



Source: CMHC

\* Seasonally adjusted at annual rates  
Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

<sup>1</sup> All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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consistent with our view that the housing market will moderate gradually throughout 2008.

### ***Urban starts declined slightly in March***

In March the seasonally adjusted annual rate of urban starts edged down by 0.4 per cent to 221,600 units compared to February. Urban multiples were up 1.1 per cent to 141,000 units, while singles decreased 2.8 per cent to 80,600 units.

### ***Urban starts decreased in three out of five regions***

The seasonally adjusted annual rate of urban starts went down in three of Canada's five regions in March. Urban starts decreased by 2.3 per cent in Ontario, 16.6 per cent in Quebec, and 37.1 per cent in British Columbia. Meanwhile, urban starts jumped in the Atlantic and Prairie regions with increases of 75.0 per cent and 52.5 per cent, respectively. These significant increases were mainly attributable to the urban multiple start segment which posted declines in the other regions of the country. Urban singles were up in all regions except Quebec and Ontario.

### ***Rural starts revised down in the first quarter of 2008***

The seasonally adjusted annual rate of rural housing starts decreased to 21,400 units per month for the January to March period compared to 33,300 units per month from October to

December 2007. Rural housing starts for the January to March period were revised down from the original estimate of 33,200 units per month. Each and every month CMHC conducts its starts and completions survey in urban centres with populations of 10,000 people or more. In rural areas (centres with populations less than 10,000), however, the starts and completions survey is conducted in the last month of each quarter, for a total of four times per year. Therefore, at the beginning of each quarter, CMHC has to estimate the level of rural starts for each of the three months in the quarter. During the last month of the quarter, when we conduct our survey in rural areas, we revise the monthly estimate of rural starts based on the measured level of rural activity. The downward revision to rural starts over the January to March period reflects, in large part, the unexpected impacts of harsh winter weather experienced during the first quarter of 2008.

### ***Year-to date actual starts were up in March***

For the first quarter of 2008, actual starts, in rural and urban areas combined, were up an estimated 7.1 per cent compared to the same period last year. Actual starts in urban areas alone increased by an estimated 15.9 per cent year-to-date. Actual urban single starts for the first three months were 10.6 per cent

lower than they were a year earlier, while multiple starts increased by 35.6 per cent over the same period.

### ***Growth in new house prices in February***

The New Housing Price Index (NHPI) increased by 6.2 per cent in February 2008 compared to a year ago, which is down from the 6.5 per cent year-over-year growth in January 2008.

In February 2008, the strongest year-over-year increases in the NHPI were 58.3 per cent in Saskatoon, 28.6 per cent in Regina, 14.8 per cent in Edmonton, 14.5 per cent in Winnipeg and 11.4 per cent in Halifax.

### ***Existing Home Market***

#### ***MLS<sup>®</sup> sales and listings grew in March***

Seasonally adjusted MLS<sup>®</sup> (Multiple Listing Service<sup>®</sup>) sales in Canada's major markets<sup>2</sup> increased slightly by 0.9 per cent to 26,799 in March, compared to 26,552 units in February 2008. Despite the increase, MLS<sup>®</sup> sales are down compared to the average monthly pace of nearly 30,000 transactions in the second half of 2007.

Seasonally adjusted MLS<sup>®</sup> listings in Canada's major markets grew by 2.0 per cent to 51,693 in March, compared to 50,684 listings in February 2008.

### ***Sellers' market continues, but conditions are moving closer to balanced***

<sup>1</sup>Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

<sup>2</sup>The MLS<sup>®</sup> Major Markets include the following: Calgary, Edmonton, Halifax-Dartmouth, Hamilton-Burlington, Kitchener-Waterloo, London & St. Thomas, Mauricie & Trois-Rivières, Montréal, Ottawa-Carleton, Outaouais, Québec City, Regina, Saguenay-Lac St. Jean, Saint John, Saskatoon, St. Catharines District, St. John's, Sudbury, Thunder Bay, Toronto, Greater Vancouver, Victoria, Windsor and Winnipeg.

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

Canada's existing home market has been in sellers' territory throughout this decade; however, the seasonally adjusted sales-to-new-listings ratio for Canada's major markets moved closer to balanced market territory falling to a nine year low of 51.8 per cent in March. Sellers' market conditions continue to support relatively strong growth in house prices, but the rate of increase in house prices will slow as markets approach a balanced state.

The average MLS® price in Canada's major markets was 4.0 per cent higher in March 2008 when compared to March 2007.

## Economic conditions

Employment recorded a slight increase of 15,000 jobs in March, leaving the employment rate at a record high of 63.9 per cent. Part-time employment increased by 34,000 jobs, the largest increase since the end of 2006. This high rate of employed Canadians continues to help support consumer confidence and strong demand in the housing market.

Month-over-month seasonally adjusted employment expanded in half of Canada's provinces in March. In British Columbia, employment increased by 14,700 jobs in March, while in Alberta employment increased by 9,600 jobs after shedding 5,000 jobs the previous month. Manitoba (+2,300 jobs), Nova Scotia (+1,100 jobs), and Prince Edward

Island (+800 jobs) all saw increases in March as well.

The unemployment rate rose slightly to 6.0 per cent, in March, up from February's 33-year low of 5.8 per cent.

For the 12 month period ending in February 2008, seasonally adjusted employment in Canada expanded by 1.9 per cent representing an additional 325,000 jobs. Close to 90 per cent of these jobs were full-time positions (289,900 jobs).

The Bank of Canada has continued to lower its overnight lending rate, cutting an additional 50 basis points on April 22, following the previous 50 basis point cut in early March, and the previous back-to-back decreases of 25 basis points in January and December. Thus, the overnight lending rate is currently at 3.00 per cent. The Bank of Canada expressed concerns over deteriorating financial and economic conditions in the U.S. and their potential to spill over into Canada. The Bank of Canada stated that further monetary stimulus may be required in the near term.

The price of goods and services included in the Consumer Price Index (CPI) basket increased by 1.4 per cent in March 2008 compared to the same month in 2007; this represents the slowest pace since January 2007. Mortgage interest costs and gasoline prices continue to be a key contributing factor to increasing consumer prices. ■

Figure 2



Data are seasonally adjusted and annualized

Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

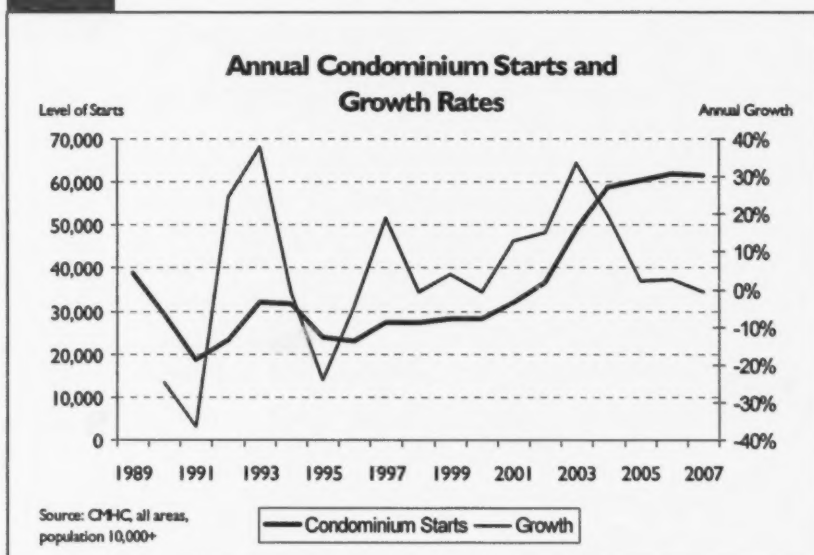
<sup>3</sup> Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 50 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

## The Current Condominium Market in Canada

**After four years of steady increases, the condominium market is reaching a plateau**

After a high degree of variability during the years to 1995, condominium starts have steadily increased. The greatest increases occurred during the years 2001 to 2004 where starts were up from 31,986 units in 2001 to 58,852 in 2004, an 84 per cent increase. It was during this time frame that the condominium market recovered from its fall in the early 1990s, largely via increased migration to Vancouver and Toronto and the resulting increased demand for less expensive housing. However, since 2004, the rate of growth in condominium starts has slowed, with growth rates of 2.4 per cent in 2005, 2.6 per cent in 2006, and -0.4 per cent in 2007, the first decline since 2000. Condominium starts now appear to have plateaued at about 60,000 units. Some of these condominiums are purchased by investors who

Figure 3



rent them out. These investor-held condos have become an important source of supply of new rental units in recent years.

### Overview of selected major Canadian centres

CMHC's Rental Market Survey (RMS) covers condominium apartments offered for rent in the following major centres: Vancouver, Calgary, Edmonton, Toronto, Ottawa, Montréal, and

Québec. Vacancy rates for rental condominium apartments were below one per cent in four of the seven centres surveyed (Ottawa, Toronto, Calgary and Vancouver in Table 1). In these areas conventional apartment vacancy rates were greater than their respective condominium vacancy rates. Edmonton, on the other hand, had condominium apartment vacancy rates the same as conventional apartment

Table 1: Rental Condominium Apartments  
Summary Data for 2007

CMA	Rental Condominium Apartments Vacancy Rate (%)	Apartments in the RMS Vacancy Rate (%)	Condominium Universe*	Rental Units	Percentage of Units in Rental
Québec	2.4	1.2	18,526	1,701	9.2
Montréal	3.8	2.9	88,488	7,959	9.0
Ottawa	0.5	2.3	19,669	3,706	18.8
Toronto	0.7	3.2	217,483	41,669	19.2
Calgary	0.7	1.5	30,109	6,447	21.4
Edmonton	1.5	1.5	28,104	6,888	24.5
Vancouver	0.2	0.7	140,594	31,382	22.3

Source: CMHC Rental Market Report October 2007  
\*Ownership and rental

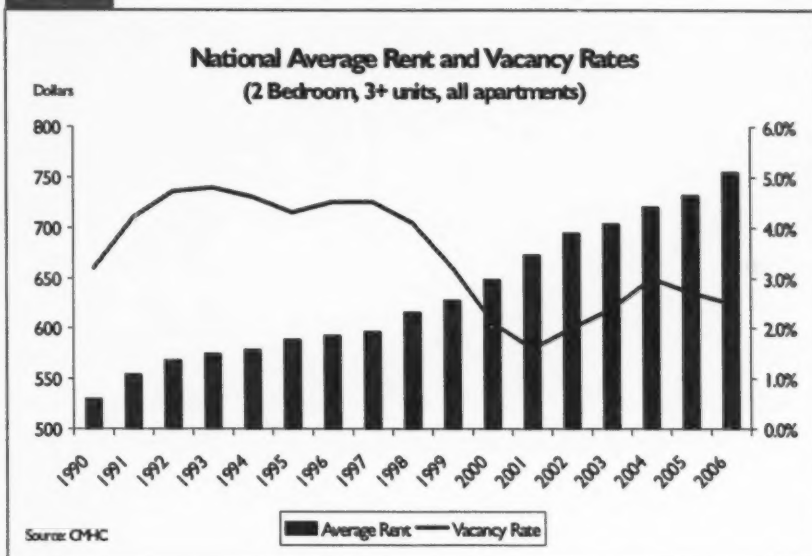


vacancy rates. Overall, rental condominiums in Vancouver had the lowest vacancy rate at 0.2 per cent. On the other hand, Québec and Montréal registered the highest vacancy rates for condominium apartments at 2.4 per cent and 3.8 per cent in 2007, respectively. Interestingly enough, the province of Québec has the smallest percentage of rental condominium units when compared to the condominium universe. Moving east to west within Canada we see the share of condos that are offered for rent on the increase. This should not be surprising given the rapid increase in the prices of single family homes and mortgage carrying costs in western centres; rental condominiums represent a less expensive form of housing.

#### Rent differences of selected major Canadian centres

As Table 2 demonstrates, rental condominium apartments have higher average rents in all cen-

Figure 4



tres, especially in Western Canada, than rental apartments in the Rental Market Survey (RMS) universe. The highest average monthly rents for two-bedroom condominium apartments were in Toronto (\$1,535), Vancouver (\$1,435), and Calgary (\$1,217). All surveyed centres posted average monthly rents for two-bedroom condominium apartments that were higher than average monthly rents for two-bedroom

private apartments in the conventional rental market during 2007. In general, the gap between condominium rents and conventional rents is due to higher quality finishes in condominium apartments. ■

**Table 2: Average Rents (\$) by Bedroom Type  
Rental Condominium and Private Apartments 2007**

CMA	Bachelor		1 Bedroom		2 Bedroom		3+ Bedroom	
	Rental Condo Apts.	Apts. In the RMS	Rental Condo Apts.	Apts. In the RMS	Rental Condo Apts.	Apts. In the RMS	Rental Condo Apts.	Apts. In the RMS
Québec	n/s	455	676	547	945	641	**	755
Montréal	**	490	872	581	1,082	647	1,386	806
Ottawa	n/s	643	991	798	1,119	961	1,218	1,144
Toronto	**	740	1,291	900	1,535	1,061	1,563	1,252
Calgary	n/s	688	1,063	897	1,217	1,089	**	1,046
Edmonton	**	658	849	784	1,052	958	**	1,060
Vancouver	**	735	1,079	846	1,435	1,084	**	1,234

Source: CMHC Rental Market Reports October 2007

\*\* Data confidential or statistically unreliable

n/s: No units exist in the sample category

## This Month's Housing Data (SAAR)

	2007	Q3: 07	Q4: 07	Q1: 08	M01: 08	M02: 08	M03: 08
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	228.3	243.7	214.0	234.4	216.0	243.8	243.0
Per cent change from previous period	0.4	7.1	-12.2	9.5	16.9	12.9	-0.3
<b>Canada. Total. Rural areas</b>	34.6	36.4	33.3	21.4	21.4	21.4	21.4
Per cent change from previous period	6.9	10.0	-8.5	-35.7	-35.7	0.0	0.0
<b>Canada. Total. Urban areas</b>	193.7	207.3	180.7	213.0	194.6	222.4	221.6
Per cent change from previous period	-0.7	6.6	-12.8	17.9	28.5	14.3	-0.4
<b>Canada. Single. Urban areas</b>	90.9	92.3	90.5	81.9	82.2	82.9	80.6
Per cent change from previous period	-3.5	2.0	-2.0	-9.5	-4.0	0.9	-2.8
<b>Canada. Multiple. Urban areas</b>	102.9	115.0	90.2	131.1	112.4	139.5	141.0
Per cent change from previous period	2.0	10.7	-21.6	45.3	70.8	24.1	1.1
<b>Newfoundland. Total. All areas</b>	2.6	2.6	3.0	2.8	2.1	2.8	3.4
Per cent change from previous period	18.6	13.0	15.4	-6.7	-27.6	33.3	21.4
<b>Prince Edward Island. Total. All areas</b>	0.8	0.8	0.8	0.7	0.5	1.0	0.5
Per cent change from previous period	1.6	14.3	0.0	-12.5	-16.7	100.0	-50.0
<b>Nova Scotia. Total. All areas</b>	4.8	5.0	4.7	5.9	3.1	4.3	10.3
Per cent change from previous period	-3.0	22.0	-6.0	25.5	-29.5	38.7	139.5
<b>New Brunswick. Total. All areas</b>	4.2	4.8	4.1	4.4	3.0	3.8	4.3
Per cent change from previous period	3.8	14.3	-14.6	7.3	11.1	-24.0	13.2
<b>Quebec. Total. All areas</b>	48.6	54.9	40.3	48.4	45.6	53.8	45.7
Per cent change from previous period	1.4	8.1	-26.6	20.1	16.3	18.0	-15.1
<b>Ontario. Total. All areas</b>	68.1	73.3	64.7	78.7	74.2	81.8	80.0
Per cent change from previous period	-7.2	8.0	-11.7	21.6	43.5	10.2	-2.2
<b>Manitoba. Total. All areas</b>	5.7	5.8	5.5	5.4	5.9	5.6	4.7
Per cent change from previous period	14.1	3.6	-5.2	-1.8	28.3	-5.1	-16.1
<b>Saskatchewan. Total. All areas</b>	6.0	6.7	5.6	6.8	6.9	6.6	6.7
Per cent change from previous period	61.7	1.5	-16.4	21.4	38.0	-4.3	1.5
<b>Alberta. Total. All areas</b>	48.3	50.3	43.0	41.9	36.6	34.2	55.1
Per cent change from previous period	-1.3	4.6	-14.5	-2.6	-3.4	-6.6	61.1
<b>British Columbia. Total. All areas</b>	39.2	39.5	42.3	39.4	36.1	49.9	32.3
Per cent change from previous period	7.6	6.2	7.1	-6.9	6.5	38.2	-35.3

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

**This Month's Housing Data, continued (SAAR)**

	2007	Q3: 07	Q4: 07	Q1: 08	M01: 08	M02: 08	M03: 08
<b>Canada. Total. Urban areas</b>	193.7	207.3	180.7	213.0	194.6	222.4	221.6
<b>Newfoundland. Total. Urban areas</b>	1.8	1.9	2.0	2.3	1.6	2.3	2.9
<b>Prince Edward Island. Total. Urban are</b>	0.5	0.5	0.6	0.5	0.3	0.8	0.3
<b>Nova Scotia. Total. Urban areas</b>	3.3	3.5	3.2	4.9	2.1	3.3	9.3
<b>New Brunswick. Total. Urban areas</b>	3.0	3.6	3.0	3.0	3.6	2.4	2.9
<b>Quebec. Total. Urban areas</b>	40.9	46.6	34.2	43.5	40.7	48.9	40.8
<b>Ontario. Total. Urban areas</b>	62.8	67.3	60.1	75.9	71.4	79.0	77.2
<b>Manitoba. Total. Urban areas</b>	3.8	4.1	3.3	3.1	3.6	3.3	2.4
<b>Saskatchewan. Total. Urban areas</b>	4.8	5.3	4.5	5.0	5.1	4.8	4.9
<b>Alberta. Total. Urban areas</b>	38.5	39.3	32.8	37.9	32.6	30.2	51.1
<b>British Columbia. Total. Urban areas</b>	34.4	35.2	37.0	36.9	33.6	47.4	29.8

\* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

**This Month's Major Housing Indicators**

	2007	Q3: 07	Q4: 07	Q1: 08	M01: 08	M02: 08	M03: 08
<b>New Housing</b>							
<b>New &amp; unoccupied singles &amp; semis, units 000s</b>	6.0	5.5	6.2	6.8	6.6	6.8	7.1
Per cent change from same period previous year	16.1	10.1	8.1	10.0	6.9	8.0	15.1
<b>New &amp; unoccupied row &amp; apartments, units 000s</b>	8.6	8.7	9.1	9.3	9.3	9.4	9.1
Per cent change from same period previous year	3.0	9.5	1.5	7.3	1.3	10.5	10.7
<b>New House Price Index, 1997=100</b>	153.0	155.0	156.3	n.a.	157.6	158.1	n.a.
Per cent change from same period previous year	7.7	6.8	6.2	n.a.	6.5	6.2	n.a.

**Existing Housing**

<b>MLS® resales*, units 000s</b>	520.8	518.9	502.2	n.a.	487.8	460.4	n.a.
Per cent change from same period previous year	7.6	9.4	3.1	n.a.	-7.6	-12.2	n.a.
<b>MLS® average resale price**, \$C 000s</b>	307.3	311.0	319.6	n.a.	318.7	313.8	n.a.
Per cent change from same period previous year	11.0	11.8	12.5	n.a.	8.6	5.9	n.a.

**Mortgage Market**

<b>Posted 1-Year Mortgage Rate, % (period average)</b>	6.90	7.05	7.27	7.25	7.35	7.25	7.15
<b>Posted 5-Year Mortgage Rate, % (period average)</b>	7.07	7.22	7.46	7.29	7.39	7.29	7.19

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

\* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

\*\* Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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